

ORIGINAL

MEMORANDUM



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FROM: Steven M. Olea  
Director  
Utilities Division

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AZ CORP COMMISSION  
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Arizona Corporation Commission  
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DATE: August 10, 2012

RE: ARIZONA WATER COMPANY AND FRANCISCO GRANDE UTILITY COMPANY  
- REQUEST FOR EXTENSION OF COMPLIANCE DEADLINES (DOCKET NOS.  
W-01445A-05-0700 AND W-01775A-05-0700)

In Decision No. 68654, dated April 12, 2006, the Arizona Corporation Commission ("Commission") approved the application of Arizona Water Company ("Arizona Water" or "Company") and Francisco Grande Utility Company ("Francisco Grande") for transfer of a portion of Francisco Grande's Certificate of Convenience and Necessity ("CC&N") to Arizona Water. In issuing its decision, the Commission ordered the Company to provide filings relating to an Approval to Construct ("ATC"), Main Extension Agreements ("MXA") and Certificate of Assured Water ("CAWS").

Specifically, Decision No. 68654 ordered that Arizona Water should file:

- a) "copies of the Arizona Department of Environmental Quality's Approval to Construct for facilities needed to serve the requested transfer areas within two years of the effective date of the Decision in this Order."
- b) "a Notice of filing indicating Arizona Water Company has submitted for Staff's review and approval, a copy of the fully executed main extension agreements for water facilities for the requested transfer areas within two years of the effective date of the Decision in this Order."
- c) "a copy of the developers' Certificate of Assured Water Supply for the requested transfer areas where applicable or when required by statute, within two years of the effective date of the Decision in this Order."

Based on the April 12, 2006 date of Decision No. 68654, the original Commission due date on the above items was on or about April 12, 2008. Pursuant to Commission Decision Nos. 70450 and 71688 issued on August 6, 2008 and May 3, 2010, the Commission approved several motions for extension of time until April 12, 2010 and April 12, 2012, respectively.

On December 9, 2011, the Company filed the current motion with the Commission seeking an extension of time. In this application, the Company provided the required ATC and a Physical Availability Determination ("PAD") which the Company argues is "sufficient compliance" for the CAWS requirement. The application therefore sought an additional two year extension of time for

the MXA requirement alone, since Arizona Water considers the CAWS requirement met by the PAD.

Conversely, Staff accepted the PAD as evidence of Company *progress toward* compliance with the CAWS, rather than evidence of actual compliance in that regard. Staff does not consider the provision of the PAD to represent compliance with the CAWS requirement of Decision No. 68654. The Company itself identifies the PAD as “an important precursor to” the CAWS. In conclusion, Staff finds that the Company has not complied with the CAWS requirement and therefore, with the provision of the ATC, should be seeking the two year extension of time on both the MXA and the CAWS.

In addition to complying with the ATC requirement and providing evidence of progress toward the CAWS via the PAD, the Company pointed to the following as sufficient support for the requested extension of time:

“The deep recession and real estate crash over the past several years (essentially the entire time that the Decision has been in effect) are extraordinary circumstances which have not been seen since the Great Depression. The severe economic downturn that has battered the Arizona real estate market persists, and continues to delay the development of residential mixed-use development in Arizona, including Pinal County.”

On August 6, 2012, Staff contacted Arizona Water to discuss the extension request. The Company representative stated that the items ordered by Decision No. 68654 are generally under the control of the developer rather than the Company and the length of the extension is due to the economy and its continuing effect on what is not an ideal market.

Based on the application and all of the above, Staff does not object to the Company’s request for a subsequent extension of time until April 12, 2014 for the provision of the remaining MXA and CAWS requirements outlined in Decision No. 68654. Staff further recommends that no further time extensions be granted in this matter.

SMO:BKB:lhbm

Originator: Brian K. Bozzo

SERVICE LIST FOR: ARIZONA WATER COMPANY  
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DOCKET NOS. W-01445A-05-0700 AND W-01775A-05-0700

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